

CRANSWICK *plc*

INTERIM REPORT



FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

STATEMENT TO SHAREHOLDERS

Results and review of activities

It is pleasing to report record interim results achieved in a market place that is challenging. By comparison to the same period last year turnover is up by 51 per cent to £217.4m and operating profit is 49 per cent higher at £16.3m. Profit before tax is ahead by 30 per cent to £13.6m and earnings per share 19 per cent higher at 21.6p. The latter figures reflect the additional finance cost and the increase in the number of shares in issue following the acquisition of Perkins Chilled Foods in January 2005.

The food division, which includes agribusiness, accounted for 93 per cent of turnover in the period and had an encouraging first half. Sales rose by 57 per cent to £202.1m and operating profit by 56 per cent to £16.8m. Our products are positioned in a number of growth sectors of the market which is contributing to an increase in underlying sales.

The successful integration of Perkins, our largest acquisition to date, was a key feature of the period. Synergy benefits were achieved as anticipated. The business delivered an excellent set of results contributing sales of £63.9m which led to the enlarged cooked meats activity turning in a very positive performance.

Agribusiness has seen a favourable change in fortunes from a year ago. An increase in sales of specialist piglet feeds and enhanced operating efficiencies following a rationalisation of sites were contributory factors to this improvement. The rationalisation gave rise, as planned, to a reduction in sales of 12 per cent to £15.2m.

There was further growth in sales of fresh pork, charcuterie and sandwiches although sales of sausages were 11 per cent down on a year ago as anticipated following the impact of the factory fire in 2004. Fresh pork was 11 per cent ahead, charcuterie 17 per cent and sandwiches 38 per cent. These gains were achieved by a combination of winning new business and growth with existing customers augmented by branding initiatives.

The development of traditional dry cured bacon which commenced in 2004 has now evolved from start-up phase through to volume output and it has established a reputation with the grocery retailers as a premium product gaining a gold medal at the Guild of Fine Food Retailers 'Great Taste Awards'. The cost of developing the business has been absorbed, positive results are now coming through and we believe there is potential for significant growth in this business.

Sales in the pet division were comparable to the same period last year at £15.3m although operating profits were £0.5m lower at £0.3m. The pet food business experienced production issues in the new facility which have now been overcome but this impacted on operating costs and sales, which were marginally down on a year ago. The business is now aggressively pursuing new sales opportunities to enable it to return to its growth track. The performance in the aquatics activity was similar to a year ago.

Cash flow and borrowings

Interest cover in the period was a comfortable 6.2 times. The cash flow of the business has remained strong with net borrowings reducing over the six month period by £5.3m to £87.1m. Operating profit before depreciation generated £20.2m compared to £13.5m in the same period last year, whilst capital expenditure amounted to £7.8m. The strategic disposal of the pig herd and the sale of one of the surplus sites in the period brought in additional funds.

Dividend

The interim dividend is being increased by 15 per cent to 5.4p per share (2004 – 4.7p). The dividend will be paid on 27 January 2006 to shareholders on the register at the close of business on 2 December 2005. Shares will go ex-dividend on 30 November 2005. Shareholders will again have the option to receive the dividend by way of scrip issue.

Board

Bernard Bell will retire from the Board in December on reaching the age of 60 years. Bernard has been with the Company for over 20 years and been a valued member of the management team that has developed the business from its beginnings as a manufacturer of animal feed. The Board extends its thanks to Bernard for his input over that period.

Outlook

This period has been one of further growth for Cranswick as it continues its development in the food sector. A major acquisition has been successfully integrated, a new business 'start-up' is evolving very encouragingly and businesses which experienced challenges in the last couple of years have performed well.

There is a strong, experienced management team in place and a well invested asset base. The Company has positions in markets which continue to grow and available capacity in a number of areas to enable it to meet future volume increases.

Notwithstanding this, the business operates in a competitive environment but continues to seek opportunities to minimise the impact of this through improvements in operating efficiencies wherever possible.

Giving due consideration to all the above factors the Board continues to be confident in the prospects for Cranswick and the maintenance of its record of sustained growth

Martin Davey

Chairman

22 November 2005

GROUP INCOME STATEMENT UNAUDITED

SIX MONTHS ENDED 30 SEPTEMBER 2005

	Notes	Half Year		Year to
		2005	2004	31 March
		£'000	Restated* £'000	2005 Restated* £'000
Turnover	2	217,438	144,314	318,538
Cost of sales		(179,955)	(118,279)	(261,917)
Gross profit		37,483	26,035	56,621
Operating expenses		(21,210)	(15,097)	(33,766)
Operating profit	2	16,273	10,938	22,855
Profit on disposal of property, plant and equipment		-	-	707
Finance costs		(2,628)	(441)	(1,972)
Profit before tax		13,645	10,497	21,590
Taxation	4	(4,058)	(2,966)	(5,360)
Profit for the period attributable to members of the parent company		9,587	7,531	16,230
Earnings per share : basic	3	21.6p	18.2p	38.6p
: diluted	3	21.5p	18.1p	38.3p

Operating profit for the year ended 31 March 2005 is stated after charging exceptional cost of sales of £2,642,000.

* As restated for the adoption of International Financial Reporting Standards accounting policies as outlined in Note 1.

CONSOLIDATED BALANCE SHEET UNAUDITED

30 SEPTEMBER 2005

	Notes	Half Year		Year to
		2005	2004	31 March
		£'000	Restated* £'000	Restated* £'000
Assets				
Goodwill		111,857	41,451	110,413
Property, plant and equipment		65,152	47,988	63,156
		<u>177,009</u>	<u>89,439</u>	<u>173,569</u>
Current assets				
Biological assets		118	1,559	2,238
Inventories		18,955	10,984	17,442
Trade and other receivables		53,166	36,951	48,127
Other financial assets		-	-	45
Cash in bank and in hand		2,087	2,231	5,025
		<u>74,326</u>	<u>51,725</u>	<u>72,877</u>
Non-current assets classified as held for sale		1,584	-	891
Total assets		252,919	141,164	247,337
Current liabilities				
Trade and other payables		(53,184)	(34,023)	(47,940)
Other financial liabilities		(421)	-	-
Tax liabilities		(3,311)	(3,194)	(2,634)
Interest bearing liabilities		(15,446)	(24,914)	(13,559)
Total current liabilities		<u>(72,362)</u>	<u>(62,131)</u>	<u>(64,133)</u>
Non-current liabilities				
Interest bearing liabilities		(73,291)	-	(83,862)
Deferred tax liabilities		(4,686)	(3,247)	(4,489)
Deferred income		(94)	(131)	(112)
Provisions		(2,474)	-	(1,865)
Total non-current liabilities		<u>(80,545)</u>	<u>(3,378)</u>	<u>(90,328)</u>
Total liabilities		(152,907)	(65,509)	(154,461)
Net assets		<u>100,012</u>	<u>75,655</u>	<u>92,876</u>
Equity				
Called-up share capital	6	4,456	4,165	4,405
Share premium account	6	40,220	28,185	38,250
Share based payments	6	373	173	247
Hedging and translation reserve	6	(386)	27	66
Profit and loss account	6	55,349	43,105	49,908
Equity attributable to members of the parent company		<u>100,012</u>	<u>75,655</u>	<u>92,876</u>

CONSOLIDATED CASHFLOW STATEMENT UNAUDITED
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Half Year		Year to 31 March
	2005	2004 Restated*	2005 Restated*
	£'000	£'000	£'000
Cash flows from operating activities			
Cash generated from operations	21,042	10,903	25,565
Interest paid	(2,642)	(413)	(1,793)
Tax paid	(3,340)	(3,270)	(6,864)
Net cash from operating activities	<u>15,060</u>	<u>7,220</u>	<u>16,908</u>
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	-	-	(83,321)
Purchase of property, plant and equipment	(7,791)	(12,729)	(18,682)
Proceeds from sale of equipment	871	240	1,806
Net cash used in investing activities	<u>(6,920)</u>	<u>(12,489)</u>	<u>(100,197)</u>
Cash flows from financing activities			
Proceeds from issue of share capital	1,580	-	9,834
Proceeds from borrowings	-	-	95,000
Issue costs of long-term borrowings	-	-	(540)
Repayment of borrowings	(10,059)	(800)	(808)
Payment of finance lease liabilities	-	(49)	(49)
Dividends paid	(3,918)	(3,336)	(4,815)
Net cash used in financing activities	<u>(12,397)</u>	<u>(4,185)</u>	<u>98,622</u>
Net (decrease)/increase in cash and cash equivalents	(4,257)	(9,454)	15,333
Cash and cash equivalents at beginning of period	3,291	(12,042)	(12,042)
Effect of foreign exchange rates	(2)	21	-
Cash and cash equivalents at end of period	<u>(968)</u>	<u>(21,475)</u>	<u>3,291</u>
Reconciliation of operating profit to cash generated from operations			
Operating profit before exceptionals	16,273	10,938	25,497
Depreciation	3,934	2,533	5,786
Release of government grants	(18)	(18)	(36)
(Profit)/loss on sale of equipment	(124)	2	(221)
Share based payments	126	59	133
Inventories	606	(632)	(510)
Increase in trade and other receivables	(5,040)	(3,731)	(3,141)
Increase/(decrease) in trade and other payables	5,285	1,752	(1,028)
Cash cost of exceptionals	-	-	(915)
Cash generated from operations	<u>21,042</u>	<u>10,903</u>	<u>25,565</u>

1. Accounting policies

Cranswick plc ("the Group") has previously prepared its financial statements under UK Generally Accepted Accounting Principles ("UK GAAP"). Following a directive issued by the EC in July 2002, the Group is required to prepare its 2005/6 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

This interim report has been prepared using accounting policies consistent with those which management expects to apply in the Group's first IFRS Annual Report and Accounts for the year ending 31 March 2006. These policies are the same as those published by the Group on 17 November 2005 within the 2004/05 IFRS restatement, which is available on the Group's website at www.cranswick.co.uk. As noted within the IFRS restatement the Group has taken the exemption within IFRS 1 'First Time Adoption of IFRS' to apply IAS 32 'Financial Instruments: Presentation and Disclosure', and IAS 39 'Financial Instruments: Recognition and Measurement' prospectively and not to retrospectively restate prior period comparatives upon adoption. Accordingly IAS 32 and IAS 39 are applied from 1 April 2005 and the accounting policy for financial derivatives for the year ended 31 March 2005 is as set out in the Annual Report and Accounts for that year which was published in May 2005. An explanation of the impact of the adoption of IAS 32 and IAS 39 is included in note 6 below.

The main impacts of IFRS on previously reported numbers for 2004/05 are summarised as follows:

	Half year ended 30 September 2004	Year ended 31 March 2005
	£'000	£'000
Profit before tax reported under UK GAAP	9,359	18,470
Cessation of goodwill amortisation	1,188	3,235
Charge for share based payments	(59)	(133)
Biological assets	9	18
Profit before tax restated under IFRS	<u>10,497</u>	<u>21,590</u>

In addition, under IFRS there was a reduction in the taxation charge of £197,000 for the half year ended 30 September 2005 and £324,000 for the year ended 31 March 2005.

Financial information has been prepared on the basis of IFRS expected to be in effect for the year ending 31 March 2006. The IFRS in effect at that date may differ owing to decisions taken by the EC on endorsement, interpretative guidance issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") and the requirements of company legislation.

The interim report was approved by the Directors on 22 November 2005 and is unaudited. The information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 March 2005 prepared under UK GAAP received an unqualified audit report and have been filed with the Registrar of Companies.

NOTES TO THE INTERIM ACCOUNTS

2. Segmental analysis – half year ended 30 September

	Turnover		Operating profit	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Food	202,108	128,975	16,790	10,750
Pet	15,330	15,339	286	802
	<u>217,438</u>	<u>144,314</u>	<u>17,076</u>	<u>11,552</u>
Central costs	-	-	(803)	(614)
Group total	<u>217,438</u>	<u>144,314</u>	<u>16,273</u>	<u>10,938</u>

3. Earnings per share

Basic earnings per share are based on profit attributable to shareholders and on the weighted average number of shares in issue during the year of 44,353,777 (2004: 41,458,375). The calculation of diluted earnings per share is based on 44,682,131 shares (2004: 41,655,816).

4. Taxation

The tax charge for the six months ended 30 September 2005 reflects the estimated effective rate for the full year.

5. Analysis of changes in net debt

	At 31 March 2005 £'000	Opening adjustment for IAS 32 and IAS 39 £'000	Cash flow £'000	Other non cash changes £'000	At 30 Sept 2005 £'000
Cash at bank and in hand	5,025	-	(2,936)	(2)	2,087
Bank overdrafts	(1,734)	-	(1,321)	-	(3,055)
Cash and cash equivalents	<u>3,291</u>	<u>-</u>	<u>(4,257)</u>	<u>(2)</u>	<u>(968)</u>
Other financial assets	-	45	-	(45)	-
Other financial liabilities	-	-	-	(421)	(421)
Bank loans	(94,487)	-	10,000	(54)	(84,541)
Loan notes	(1,200)	-	59	-	(1,141)
Net debt	<u>(92,396)</u>	<u>45</u>	<u>5,802</u>	<u>(522)</u>	<u>(87,071)</u>

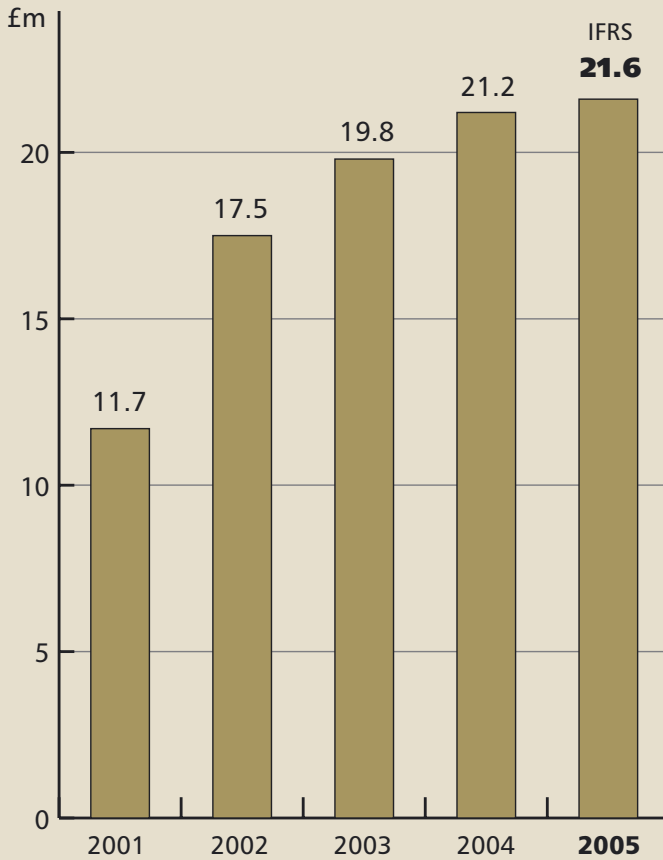
6. Reconciliation of movements in equity

	Share capital	Share premium	Share based payments	Hedging and translation reserve	Profit and loss Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2005	4,405	38,250	247	21	49,922	92,845
Impact of adoption of IAS 32 and IAS 39	-	-	-	45	(14)	31
Restated for adoption of IAS 32 and IAS 39	4,405	38,250	247	66	49,908	92,876
Profit for the period	-	-	-	-	9,587	9,587
Share based payments	-	-	126	-	54	180
Cash flow hedges	-	-	-	(451)	135	(316)
Scrip dividend	7	434	-	-	-	441
Share options exercised	44	1,536	-	-	-	1,580
Dividends	-	-	-	-	(4,335)	(4,335)
Exchange differences	-	-	-	(1)	-	(1)
At 30 September 2005	4,456	40,220	373	(386)	55,349	100,012

On adoption of IAS 32 and IAS 39 at 1 April 2005 as described in Note 1, interest rate swaps held by the Group have been recognised as a financial asset at their fair value of £45,000 with a corresponding deferred tax provision of £14,000 and the opening balance sheet has been restated accordingly. These swaps meet the special cash flow hedge criteria of IAS 39 and accordingly gains and losses have been recognised directly in equity. There is no impact on reported profit in prior periods.

7. The Company intends to post the Interim Report to shareholders on 24 November 2005. Further copies will be available upon request from the Company Secretary, Cranswick plc, Cranswick, Driffield, East Yorkshire, YO25 9PF.

PROFIT BEFORE TAX* 2001-2005



**prior to goodwill amortisation
years ended 31 March*

5 YEAR STATEMENT

	IFRS				
£m	2005	2004	2003	2002	2001
Turnover	318.5	270.1	237.7	225.6	192.6
Profit before tax*	21.6	21.2	19.8	17.5	11.7
Earnings per share*	38.6p	35.8p	34.2p	31.5p	21.8p
Dividends per share	14.5p	13.2p	12.0p	10.75p	8.25p
Capital expenditure	19.1	10.0	6.7	4.8	3.7
(Net debt)/net cash	(92.4)	(13.3)	1.6	(1.2)	(5.0)
Net assets	92.8	68.8	61.2	52.0	40.1

*prior to goodwill amortisation.

The above figures have been compiled from the published accounts for each year.

CRANSWICK *plc*

CRANSWICK, DRIFFIELD, EAST YORKSHIRE YO25 9PF